

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name ROCKLAND TOWNSHIP	County ONTONAGON
Fiscal Year End MARCH 31, 2006	Opinion Date JUNE 12, 2006	Date Audit Report Submitted to State SEPTEMBER 25, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) BRUCE A. RUKKILA, CPA, PC		Telephone Number 906-482-6601	
Street Address 310 SHELDEN AVENUE		City HOUGHTON	State MI
		Zip 49931	
Authorizing CPA Signature <i>Bruce A. Rukkila CPA</i>		Printed Name BRUCE A. RUKKILA, CPA	License Number 263812

ROCKLAND TOWNSHIP
ONTONAGON COUNTY, MICHIGAN

AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTAL FINANCIAL INFORMATION

March 31, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Supervisor and Board of Trustees
Rockland Township
Rockland, Michigan

We have audited the accompanying general purpose financial statements of the Rockland Township, as of and for the year ended March 31, 2006. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township has not adopted the reporting format of Government Accounting Standards Board Statement No. 34.

In our opinion, except for the effects on the general purpose financial statements of the omission described in the preceding paragraph, the dollar amount of which we have not determined, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Adams, as of March 31, 2006, and the results of its operations and the cash flows of its proprietary and similar trust fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2006 on our consideration of the Township of Adams' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented as supplemental information and are not a required part of the general purpose financial statements of the Rockland Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, are fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

June 12, 2006



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Supervisor and Board of Trustees
Rockland Township
Rockland, Michigan

We have audited the financial statements of the Rockland Township as of and for the year ended March 31, 2006, and have issued our report thereon dated June 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether the Rockland Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, a noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the Rockland Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components do not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Bruce A. Rukkila, CPA, PC
Certified Public Accountants

June 12, 2006

ROCKLAND TOWNSHIP
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
March 31, 2006

	Governmental Fund Types			Proprietary Fund Type		Fiduciary Fund Type	Account Group	Totals	
	General	Special Revenue	Enterprise			Agency	Fixed Assets	(Memorandum Only)	
ASSETS AND OTHER DEBITS:									
Cash	\$ 207,976	\$ 88,734	\$ 163,003	\$ -	\$ -			\$ 459,713	
Accounts receivable	-	-	10,813	-	-			10,813	
Taxes receivable	3,523	880	-	-	-			4,403	
Due from other funds	20,425	791	-	-	-			21,216	
Restricted cash	-	-	19,873	5,493	-			25,366	
Fixed assets	-	-	2,506,455	-	649,862			3,156,317	
Accumulated depreciation	-	-	(759,124)	-	-			(759,124)	
TOTAL ASSETS AND OTHER DEBITS	\$ 231,924	\$ 90,405	\$ 1,941,020	\$ 5,493	\$ 649,862			\$ 2,918,704	
LIABILITIES:									
Accounts payable	-	-	4,780	\$ -	\$ -			\$ 4,780	
Due to other funds	-	12,524	8,692	-	-			21,216	
Due to other governmental units	547	-	-	5,493	-			6,040	
Current maturities on bond payable	-	-	10,000	-	-			10,000	
Bonds payable - net of current maturities	-	-	585,000	-	-			585,000	
Accrued expenses	363	-	395	-	-			758	
TOTAL LIABILITIES	910	12,524	608,867	5,493	-			627,794	
FUND EQUITY AND OTHER CREDITS:									
Contributed capital	-	-	1,180,102	-	-			1,180,102	
Investment in general fixed assets	-	-	-	-	649,862			649,862	
Fund balance	231,014	77,881	152,051	-	-			460,946	
TOTAL FUND EQUITY AND OTHER CREDITS	231,014	77,881	1,332,153	-	649,862			2,290,910	
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	\$ 231,924	\$ 90,405	\$ 1,941,020	\$ 5,493	\$ 649,862			\$ 2,918,704	

The accompanying notes to financial statements are an integral part of this statement.

ROCKLAND TOWNSHIP
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
Year Ended March 31, 2006

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
REVENUES:			
Taxes	\$ 73,319	\$ 16,692	\$ 90,011
State	29,619	-	29,619
Administration and collection fees	7,606	-	7,606
Interest income	4,017	2,460	6,477
Other	16,516	-	16,516
TOTAL REVENUES	131,077	19,152	150,229
EXPENDITURES:			
Assessor	4,022	-	4,022
Supervisor	5,762	-	5,762
Clerk	5,835	-	5,835
Board of Review	311	-	311
Treasurer	8,377	-	8,377
Township Board	11,545	-	11,545
Town Hall	41,825	-	41,825
Property	29,466	-	29,466
Cemetery	2,269	-	2,269
Fire Protection	10,587	-	10,587
Other Activities	2,360	-	2,360
Activity Center	7,612	7,844	15,456
Recreation	208	-	208
Elections	483	-	483
Roads and Streets	11,658	-	11,658
TOTAL EXPENDITURES	142,320	7,844	150,164
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(11,243)	11,308	65
FUND BALANCE, BEGINNING OF YEAR	242,257	66,573	308,830
FUND BALANCE, END OF YEAR	\$ 231,014	\$ 77,881	\$ 308,895

The accompanying notes to financial statements are an integral part of this statement.

ROCKLAND TOWNSHIP
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUNDS
Year Ended March 31, 2006

	General			Special Revenue		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:						
Taxes	\$ 70,700	\$ 73,319	\$ 2,619	\$ -	\$ 16,692	\$ 16,692
State	26,000	29,619	3,619	-	-	-
Administration and collection fees	3,800	7,606	3,806	-	-	-
Interest income	3,000	4,017	1,017	-	2,460	2,460
Other	12,700	16,516	3,816	-	-	-
TOTAL REVENUES	116,200	131,077	14,877	-	19,152	19,152
EXPENDITURES:						
Assessor	3,800	4,022	(222)	-	-	-
Supervisor	6,500	5,762	738	-	-	-
Clerk	6,500	5,835	665	-	-	-
Board of Review	300	311	(11)	-	-	-
Treasurer	8,500	8,377	123	-	-	-
Township Board	11,000	11,545	(545)	-	-	-
Town Hall	15,100	41,825	(26,725)	-	-	-
Property	25,000	29,466	(4,466)	-	-	-
Cemetery	3,000	2,269	731	-	-	-
Fire Protection	7,500	10,587	(3,087)	-	-	-
Other Activities	3,000	2,360	640	-	-	-
Activity Center	6,000	7,612	(1,612)	-	7,844	(7,844)
Recreation	500	208	292	-	-	-
Elections	500	483	17	-	-	-
Roads and Streets	14,000	11,658	2,342	-	-	-
TOTAL EXPENDITURES	111,200	142,320	(31,120)	-	7,844	(7,844)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 5,000	(11,243)	\$ (16,243)	\$ -	11,308	\$ 11,308
FUND BALANCE, BEGINNING OF YEAR		242,257			66,573	
FUND BALANCE, END OF YEAR		\$ 231,014			\$ 77,881	

The accompanying notes to financial statements are an integral part of this statement.

ROCKLAND TOWNSHIP
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPE (ENTERPRISE)
Year Ended March 31, 2006

OPERATING REVENUES:	
Charges for services	\$ 58,991
Other	2,568
TOTAL OPERATING REVENUES	<hr/> 61,559
EXPENSES:	
Salaries	9,564
Payroll taxes	743
Supplies, materials and other	4,149
Office supplies	721
Utilities	11,111
Repairs and maintenance	176
Professional services	915
Depreciation	55,845
Miscellaneous	1,485
TOTAL EXPENSES	<hr/> 84,709
OPERATING INCOME (LOSS)	(23,150)
NON-OPERATING REVENUES (EXPENSES):	
Interest income	5,598
Interest expense	(28,055)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<hr/> (22,457)
NET INCOME (LOSS)	(45,607)
RETAINED EARNINGS, BEGINNING OF YEAR	160,415
ADJUSTMENTS TO FUND EQUITY:	
Depreciation on contributed capital	37,243
RETAINED EARNINGS, END OF YEAR	<hr/> <hr/> \$ 152,051

The accompanying notes to financial statements are an integral part of this statement.

ROCKLAND TOWNSHIP
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
Year ended March 31, 2006

	Proprietary Fund Type
	<u>Enterprise</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ (23,150)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	55,845
(Increase) Decrease in accounts receivable	(1,295)
Increase (Decrease) in accounts payable	13,071
Increase (Decrease) in accrued expenses	395
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>44,866</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Reductions of long-term debt	(10,000)
Interest paid on long-term debt	(28,055)
Purchase of fixed assets	(29,743)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(67,798)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments and deposits	5,598
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>5,598</u>
NET INCREASE IN CASH AND RESTRICTED CASH	<u>(17,334)</u>
CASH AND RESTRICTED CASH, MARCH 31, 2005	200,210
CASH AND RESTRICTED CASH, MARCH 31, 2006	<u>\$ 182,876</u>

The accompanying notes to financial statements are an integral part of this statement.

ROCKLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Rockland Township is located in Ontonagon County, Michigan. The Township operates under an elected Board of Trustees (five members, including the Township Supervisor, Township Clerk, Township Treasurer, and two trustees) and provides services to a population of approximately 325 Township residents.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Rockland Township conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

THE FINANCIAL REPORTING ENTITY

As required by generally accepted accounting principles, the financial statements of Rockland Township contain all of the Township funds. There are no other governmental units within the Township that are controlled by or dependent upon the Township's Board of Trustees. Control by or dependence on the Township was determined on the basis of appointment of the governing body or governing authority budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Township, obligation of the Township to finance any deficits that may occur, surplus funds, and scope of public service.

FUND ACCOUNTING

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent, and the means by which spending activities are controlled. The various funds are grouped in the financial statements into three broad fund categories and five generic fund types as follows:

GOVERNMENTAL FUND TYPES

General Fund

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes. The Road and Street, Recreation, Activity Center, and Liquor Law Enforcement Funds are special revenue type funds.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPRIETARY FUND TYPES

Enterprise Funds

Enterprise Funds are used to account for operations, (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water and Sewer Funds are enterprise type funds.

FIDUCIARY FUND TYPES

Trust and Agency Funds

Trust and Agency Funds are used to account for assets held by the Township in trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

FIXED ASSETS

The accounting and reporting treatment applied to the fixed assets is associated with a fund and is determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets (expendable available financial resources) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized along with other general fixed assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

The General Fixed Assets Account Group is not a "fund." Its purpose is related only to the measurement of financial position. It is not involved with measurement of results of operations.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Operating statements of proprietary fund types present increases (revenues) and decreases (expenses) in net total assets.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided using the straight-line method and the following estimated useful lives:

Sewer and Water Systems	50 years
Machinery and Equipment	7-10 years

BASIS OF ACCOUNTING

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and agency funds are accounted for using the modified accrual basis. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Significant revenues susceptible to accrual include payments in lieu of taxes, state and federal sources, and intergovernmental revenues. Other revenue sources such as licenses, permits, charges for services, sales, fees, fines, rentals, and others are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are not accrued in the governmental fund types and Agency Funds.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred with certain exceptions such as interest on long-term debt which is generally recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Under the accrual basis, revenues are recognized when they are earned, and expenses are recognized when incurred.

The Trust and Agency Fund is accounted for on the basis of cash receipts and cash disbursements.

BUDGETARY DATA

The Township follows these procedures in establishing the budgetary data:

- a. Prior to April 1, the Township Supervisor prepares and submits a proposed operating budget for the fiscal year commencing the following April 1, to the Township Board of Trustees at a regular meeting.
- b. The Township Board of Trustees reviews the proposed budget, which includes proposed expenditures and the means of financing them.
- c. Pursuant to statute, the proposed budget as approved by the Board of Trustees, is submitted to the Township at a public hearing, at which time public comment is invited. The final budget is formally adopted at the next board meeting.
- d. The Board of Trustees reviews the budget quarterly during the fiscal year and makes formal amendments when appropriate.
- e. Budget appropriations lapse at the end of the fiscal year.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY TAXES

Property taxes are levied on assessed values of property located in the Township and become an enforceable lien on the property. Assessed values are established annually (the first Monday in March) and equalized by the State. Township property taxes are levied on December 1, and are payable without penalty through the following February 28. Property taxes are recognized as revenue in the year for which levied, in accordance with NCGA Interpretation 3 (Revenue Recognition - Property Taxes).

The Township collects its own property taxes, and also collects property taxes for the County and School District within its jurisdiction. Collections and remittances of all property taxes are accounted for in the Trust and Agency Fund.

TOTAL COLUMNS ON COMBINED BALANCE SHEETS - ALL FUNDS

The total columns on the combined statements of this report are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation which requires that inter-fund eliminations be made in the aggregation of this data.

The 2005 taxable valuation of the Township amounted to \$16,725,741 on which ad valorem taxes of \$66,769 were levied for Township operating purposes (3.992 mills), \$8,346 for Township roads (.499) and \$8,346 for Activity Center (.499). These amounts are recorded as revenue on the Township's records in and for the fiscal year ending March 31, 2006.

CASH

For the purpose of the statement of cash flows, cash is defined as checking, money market, certificates of deposits, and savings accounts.

INVESTMENTS

Investments consist of certificates of deposit held at various banks and United States Government Securities. For the year ended March 31, 2006, the investments account has been added to the balance sheets of all fund types, representing various certificates of deposit that have a maturity in excess of 90 days. Certificates of deposits with a maturity of 90 days or less at the date of purchase are classified as cash on the balance sheets of all fund types.

INVENTORY

Inventory has not been recognized in any of the funds.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ROCKLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ENCUMBRANCES

Encumbrances are defined as commitments related to unperformed contracts for goods and services. The Township does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

NOTE B - CASH AND INVESTMENTS

CASH DEPOSITS

At year-end, the Township's deposits (checking, savings, and certificates of deposit) were reported in the basic financial statements in the following categories:

	Governmental Activities	Proprietary Funds	Fiduciary Funds	Total Government
Cash and investments	<u>\$ 296,710</u>	<u>\$ 182,876</u>	<u>\$ 5,493</u>	<u>\$ 485,079</u>

Governmental Accounting Standards Board (GASB) Statement No. 3, requires reporting risk disclosures. At March 31, 2006 the book value of the Township's demand deposits consisting primarily of certificates of deposit and other cash equivalents, was \$485,079 with a corresponding bank balance of \$539,487. Qualifying deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. Of the bank balance, approximately \$335,304 representing approximately 69% of the Township's deposits, was covered by the Federal Depository Insurance. Michigan law does not require collateralization of government deposits, therefore, only the \$335,304 was insured and \$204,183 was neither insured nor collateralized.

NOTE C - RECEIVABLES

The detail of receivables at March 31, 2006 are as follows:

Receivables	General	Special Revenue	Proprietary	Total Government
Accounts	\$ 0	\$ 0	\$ 10,813	\$ 10,813
Taxes	3,523	880	0	4,403
Total receivables	<u>\$ 3,523</u>	<u>\$ 880</u>	<u>\$ 10,813</u>	<u>\$ 15,216</u>

NOTE D - INTER-FUND RECEIVABLES AND PAYABLES

The amounts of inter-fund receivables and payables at March 31, 2006 are as follows:

	Due From	Due To
General Fund	\$ 20,425	\$ 0
Road and Street Fund	0	12,524
Activity Fund	791	0
Sewer Fund	0	8,692
Totals	<u>\$ 21,216</u>	<u>\$ 21,216</u>

ROCKLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE E - PROPERTY, PLANT AND EQUIPMENT

A summary of the changes in the property, plant and equipment is as follows:

General Fixed Assets Account Group

	Balance 03/31/05	Additions	Subtractions	Balance 03/31/06
Land and improvements	\$ 33,010	\$ 0	\$ 0	\$ 33,010
Buildings & improvements	330,930	30,495	0	361,425
Machinery & equipment	25,595	0	0	25,595
Vehicles	213,285	0	0	213,285
Other furniture & equipment	15,970	3,639	3,062	16,547
	<u>\$ 618,790</u>	<u>\$ 34,134</u>	<u>\$ 3,062</u>	<u>\$ 649,862</u>

Enterprise Funds

	Balance 03/31/05	Additions	Subtractions	Balance 03/31/06
<u>Sewer Fund</u>				
Land	\$ 7,891	\$ 0	\$ 0	\$ 7,891
Sewer System	863,216	0	0	863,216
Lagoon	525,841	0	0	525,841
Equipment	97,047	0	0	97,047
	<u>\$ 1,493,995</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,493,995</u>
<u>Water Fund</u>				
Land	\$ 45,180	\$ 0	\$ 0	\$ 45,180
Water System	962,463	0	0	962,463
Equipment	4,817	0	0	4,817
	<u>\$ 1,012,460</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,012,460</u>

NOTE F - LONG-TERM DEBT

Sewer Bonds

Revenue bonds payable in the Sewer Fund were issued in 1984 for the purpose of defraying part of the cost of wastewater disposal and sewer improvements in portions of Rockland Township. Repayment of the bonds is being made through sewer hook up fees and monthly charges to users of the sewer system.

Sewage Disposal System Revenue Bonds, were issued for \$240,000 dated March 1, 1984, mature annually as scheduled and bear interest at 5% per annum.

Principal installments of these bonds are subject to prepayment prior to maturity, in inverse chronological order, at the Issuer's option, on any interest payment date on or after October 1, 1991, at par and accrued interest to the date fixed for prepayment.

ROCKLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE F - LONG-TERM DEBT (Continued)

The payment schedule for the bonds is as follows:

SCHEDULE OF SEWAGE DISPOSAL SYSTEM #3 BONDS
ORIGINAL ISSUE

<u>Fiscal</u> <u>Year Ending</u>	<u>September 1</u> <u>Interest</u>	<u>March 1</u> <u>Interest</u>	<u>March 1</u> <u>Principal</u>	<u>Total</u>
2006-2007	\$ 4,450	\$ 4,450	\$ 6,000	\$ 14,900
2007-2008	4,300	4,300	6,000	14,600
2008-2009	4,150	4,150	7,000	15,300
2009-2010	3,975	3,975	7,000	14,950
2010-2011	3,800	3,800	8,000	15,600
2011-2012	3,600	3,600	8,000	15,200
2012-2013	3,400	3,400	8,000	14,800
2013-2014	3,200	3,200	9,000	15,400
2014-2015	2,975	2,975	9,000	14,950
2015-2020	11,150	11,150	55,000	77,300
2020-2024	3,475	3,475	55,000	61,950
TOTAL	<u>\$ 48,475</u>	<u>\$ 48,475</u>	<u>\$ 178,000</u>	<u>\$ 274,950</u>

Water Bonds

Revenue bonds payable in the Water Fund were issued in 2004 for the purpose of paying part of the cost of improvements and extensions to the water supply system of the Township. Repayment of the bonds is being made through fees and monthly charges to users of the water system.

Water Revenue Bonds, were issued for \$421,000 dated October 13, 2004, mature annually as scheduled and bear interest at 4.5% per annum.

Principal installments of these bonds are subject to prepayment prior to maturity, in inverse chronological order, at the Issuer's option, on any interest payment date on or after March 1, 2005, at par and accrued interest to the date fixed for prepayment.

The payment schedule for the bonds is as follows:

ROCKLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE F - LONG-TERM DEBT (Continued)

SCHEDULE OF WATER REVENUE BOND
ORIGINAL ISSUE

<u>Fiscal</u> <u>Year Ending</u>	<u>September 1</u> <u>Principal</u>	<u>September 1</u> <u>Interest</u>	<u>March 1</u> <u>Interest</u>	<u>Total</u>
2006-2007	\$ 4,000	\$ 9,383	\$ 9,382	\$ 22,765
2007-2008	4,000	9,293	9,292	22,585
2008-2009	4,000	9,203	9,202	22,405
2009-2010	5,000	9,113	9,112	23,225
2010-2011	5,000	9,000	9,000	23,000
2011-2012	5,000	8,888	8,887	22,775
2012-2013	5,000	8,775	8,775	22,550
2013-2014	6,000	8,663	8,662	23,325
2014-2015	6,000	8,528	8,527	23,055
2015-2020	33,000	40,545	40,545	114,090
2020-2025	42,000	36,428	36,427	114,855
2025-2030	51,000	31,343	31,342	113,685
2030-2035	64,000	25,020	25,020	114,040
2035-2040	80,000	17,123	17,122	114,245
2040-2044	103,000	7,313	0	110,313
TOTAL	\$ 417,000	\$ 238,618	\$ 231,295	\$ 886,913

SUMMARY SCHEDULE OF LONG-TERM DEBT

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006-2007	\$ 27,665	\$ 10,000	\$ 37,665
2007-2008	27,185	10,000	37,185
2008-2009	26,705	11,000	37,705
2009-2010	26,175	12,000	38,175
2010-2011	25,600	13,000	38,600
2011-2012	24,975	13,000	37,975
2012-2013	24,350	13,000	37,350
2013-2014	23,725	15,000	38,725
2014-2015	23,005	15,000	38,005
2015-2020	103,390	88,000	191,390
2020-2025	79,805	97,000	176,805
2025-2030	62,685	51,000	113,685
2030-2035	50,040	64,000	114,040
2035-2040	34,245	80,000	114,245
2040-2044	7,313	103,000	110,313
TOTALS	\$ 566,863	\$ 595,000	\$ 1,161,863

ROCKLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE F - LONG-TERM DEBT (Continued)

The following is a summary of the changes in long-term debt principal for the year ended March 31, 2006:

	Balance 03/31/05	Additions	Reductions	Balance 03/31/06
<i>Enterprise</i>				
Sewer Fund	\$ 184,000	\$ 0	\$ 6,000	\$ 178,000
Water Fund	421,000	0	4,000	417,000
TOTALS	<u>\$ 605,000</u>	<u>\$ 0</u>	<u>\$ 10,000</u>	<u>\$ 595,000</u>

NOTE G - BOND PAYMENT AND RESERVE REQUIREMENTS

SEWER FUND

Bond and Interest Redemption Account

The 1984 Sewer Disposal System Revenue Bond requires that the Township set aside each quarter on or after April 1, an amount not less than $\frac{1}{2}$ of the amount of interest due on the next interest payment and $\frac{1}{4}$ of the amount of principal due on the next principal payment date.

Bond Reserve Account

The 1984 Sewer Disposal System Revenue Bond requires that the Township deposit \$375 per quarter into a bond reserve account to be used for payment on the bonds in the event of default.

General Purpose Account

The 1984 Sewer Disposal System Revenue Bond requires that the Township set up a General Purpose Account after the transfers required in the Bond and Interest Redemption and Bond Reserve Accounts.

WATER FUND

Bond and Interest Redemption Account

Water Supply System Revenue Bonds requires that the Township set aside each quarter on or after April 1, an amount not less than $\frac{1}{2}$ of the amount of interest due on the next interest payment and $\frac{1}{4}$ of the amount of principal due on the next principal payment date.

Bond Reserve Account

Water Supply System Revenue Bonds requires that the Township deposit \$575 per quarter into a bond reserve account to be used for payment on the bonds in the event of default.

ROCKLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE G - BOND PAYMENT AND RESERVE REQUIREMENTS (Continued)

Repair, Replacement, and Improvement Account

Water Supply System Revenue Bonds requires that the Township deposit into a repair, replacement, and improvement account (RRI) at least \$1,513 per quarter, less the amount, if any, deposited in the Bond Reserve Account.

The following schedule details the Bond Payment and Reserve Requirements:

Account	Sewer	Water
Bond and Interest Redemption	\$ 8,067	\$ 5,736
Bond Reserve	9,000	2,875
General Purpose	9,000	4,687
Total bond reserve required amount	26,067	13,298
Reserved cash and investments	15,000	7,799
Excess at March 31, 2006	<u>\$ (11,067)</u>	<u>\$ (5,499)</u>

NOTE H - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township maintained Enterprise Funds which provided water and sewer services. Segment information for the year ended March 31, 2006 is as follows:

	Sewer Fund	Water Fund
Operating Revenues	\$19,966	\$41,593
Depreciation	\$28,281	\$27,564
Operating Income (Loss)	(\$12,403)	(\$10,747)
Non-Operating Revenue (Expense)	(\$5,645)	(\$16,812)
Net Income (Loss)	(\$18,048)	(\$27,559)
Property, Plant, and Equipment:		
Additions	\$0	\$29,743
Net Working Capital (Deficit)	\$95,800	\$59,022
Total Assets	\$955,284	\$985,736
Total Equity	\$768,512	\$563,641

ROCKLAND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE I - CONTRIBUTED CAPITAL

Contributed capital consisted of the following:

	SEWER	WATER	TOTAL
U.S. Environmental Protection Agency	\$ 890,809	\$ 0	\$ 890,809
U.S. Department of Agriculture-Rural Development	263,900	169,300	433,200
State of Michigan-Department of Natural Resources	59,387	0	59,387
State of Michigan Block Grant	73,000	384,000	457,000
Township Investment	1,681	0	1,681
	<u>1,288,777</u>	<u>553,300</u>	<u>1,842,077</u>
Less amount amortized into operations:			
Prior depreciation	(557,532)	(67,200)	(624,732)
Current depreciation	(23,920)	(13,323)	(37,243)
Total accumulated depreciation	<u>(581,452)</u>	<u>(80,523)</u>	<u>(661,975)</u>
NET CONTRIBUTED CAPITAL	<u>\$ 707,325</u>	<u>\$ 472,777</u>	<u>\$ 1,180,102</u>

NOTE J - BUDGET OVER EXPENDITURES

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the activity level.

During the year ended March 31, 2006, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Fund	Total Appropriations	Amount of Expenditures	Budget Variances
General Fund			
Board of Review	\$300	\$311	(\$11)
Township Board	\$11,000	\$11,545	(\$545)
Town Hall	\$15,100	\$41,825	(\$26,725)
Property	\$25,000	\$29,466	(\$4,466)
Fire Protection	\$7,500	\$10,587	(\$3,087)
Activity Center	\$6,000	\$7,612	(\$1,612)
Activity Fund	\$0	\$7,844	(\$7,844)

NOTE K - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township continues to carry commercial insurance for property, liability, wrongful acts, crime inland marine, and other risks of loss including worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SUPPLEMENTAL FINANCIAL INFORMATION

ROCKLAND TOWNSHIP
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
Year Ended March 31, 2006

REVENUES:

TAXES:

Payments in lieu of tax (PILT)	\$ 27
Property tax	66,769
Delinquent personal taxes	6,523
Total taxes	<hr/> 73,319 <hr/>

STATE:

State shared revenues	24,007
Commercial Forest Reserve (CFR)	5,612
Total state	<hr/> 29,619 <hr/>

Administration and collection fees

7,606

INTEREST

4,017

OTHER:

Rents and royalties	36
Refunds	14
Non-business license and permits	4,954
Reimbursements	115
Miscellaneous	11,397
Total other	<hr/> 16,516 <hr/>

TOTAL REVENUES

131,077

EXPENDITURES:

ASSESSOR:

Salaries	3,597
Office supplies	425
Total assessor	<hr/> 4,022 <hr/>

SUPERVISOR:

Salaries	5,760
Office supplies	2
Total supervisor	<hr/> 5,762 <hr/>

CLERK:

Salaries	5,367
Office supplies	375
Travel expenses	93
Total clerk	<hr/> 5,835 <hr/>

ROCKLAND TOWNSHIP
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - CONTINUED
Year Ended March 31, 2006

EXPENDITURES (Continued):

BOARD OF REVIEW:

Printing and publishing	115
Professional services	196
Total board of review	311

TREASURER:

Salaries	5,280
Office supplies	862
Professional services	2,235
Total treasurer	8,377

TOWNSHIP BOARD:

Salaries	1,500
Fees	317
Supplies, materials and other	3,690
Office supplies	1,087
Printing and publishing	445
Professional services	4,506
Total township board	11,545

TOWN HALL:

Salaries	1,500
Supplies, materials and other	6,533
Utilities	3,297
Repairs and maintenance	30,495
Total town hall	41,825

PROPERTY:

Salaries	4,348
Supplies, materials and other	3,342
Insurance	14,888
Repairs and maintenance	450
Professional services	4,372
Miscellaneous	2,066
Total property	29,466

CEMETERY:

Supplies, materials and other	1,762
Repairs and maintenance	507
Total cemetery	2,269

ROCKLAND TOWNSHIP
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - CONTINUED
Year Ended March 31, 2006

EXPENDITURES (Continued):

FIRE PROTECTION:

Fees	45
Supplies, materials and other	2,234
Utilities	3,383
Professional services	4,925
	<hr/>
Total fire protection	10,587
	<hr/>

OTHER ACTIVITIES:

Payroll taxes	2,360
	<hr/>

ACTIVITY CENTER:

Utilities	6,769
Repairs and maintenance	843
	<hr/>
Total activity center	7,612
	<hr/>

RECREATION:

Utilities	208
	<hr/>

ELECTIONS:

Supplies, materials and other	483
	<hr/>

ROADS AND REPAIRS:

Street lights	11,658
	<hr/>

TOTAL EXPENDITURES	142,320
	<hr/>

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(11,243)
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FUND BALANCE, BEGINNING OF YEAR	242,257
	<hr/>

FUND BALANCE, END OF YEAR	\$ 231,014
	<hr/> <hr/>

ROCKLAND TOWNSHIP
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
March 31, 2006

	Road and Street	Recreation	Activity Center	Total (Memorandum Only)
ASSETS:				
Cash	\$ 74,038	\$ 6,475	\$ 8,221	\$ 88,734
Taxes receivable	440	-	440	880
Due from other funds	-	-	791	791
TOTAL ASSETS	<u>\$ 74,478</u>	<u>\$ 6,475</u>	<u>\$ 9,452</u>	<u>\$ 90,405</u>
LIABILITIES:				
Due to other funds	\$ 12,524	\$ -	\$ -	\$ 12,524
FUND EQUITY:				
Fund balance	61,954	6,475	9,452	77,881
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 74,478</u>	<u>\$ 6,475</u>	<u>\$ 9,452</u>	<u>\$ 90,405</u>

ROCKLAND TOWNSHIP
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Year Ended March 31, 2006

	Road and Street	Recreation	Activity Center	Totals (Memorandum Only)
REVENUES:				
Taxes	\$ 8,346	\$ -	\$ 8,346	\$ 16,692
Interest income	1,972	223	265	2,460
TOTAL REVENUES	10,318	223	8,611	19,152
EXPENDITURES:				
Salaries	-	-	7,844	7,844
EXCESS OF REVENUES OVER EXPENDITURES	10,318	223	767	11,308
FUND BALANCE, BEGINNING OF YEAR	51,636	6,252	8,685	66,573
FUND BALANCE, END OF YEAR	\$ 61,954	\$ 6,475	\$ 9,452	\$ 77,881

ROCKLAND TOWNSHIP
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
March 31, 2006

	Sewer	Water	Total (Memorandum Only)
ASSETS:			
Current assets:			
Cash	\$ 107,000	\$ 56,003	\$ 163,003
Accounts receivable	3,572	7,241	10,813
Total current assets	110,572	63,244	173,816
Restricted cash	15,000	4,873	19,873
General fixed assets:			
Fixed assets	1,493,995	1,012,460	2,506,455
Accumulated depreciation	(664,283)	(94,841)	(759,124)
Total general fixed assets	829,712	917,619	1,747,331
TOTAL ASSETS	\$ 955,284	\$ 985,736	\$ 1,941,020
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ -	\$ 4,780	\$ 4,780
Due to other funds	8,692	-	8,692
Current maturities on bond payable	6,000	4,000	10,000
Accrued expenses	80	315	395
Total current liabilities	14,772	9,095	23,867
Long-term liabilities:			
Bonds payable - net of current maturities	172,000	413,000	585,000
TOTAL LIABILITIES	186,772	422,095	608,867
FUND EQUITY:			
Contributed capital	707,325	472,777	1,180,102
Fund balance	61,187	90,864	152,051
TOTAL FUND EQUITY	768,512	563,641	1,332,153
TOTAL LIABILITIES AND FUND EQUITY	\$ 955,284	\$ 985,736	\$ 1,941,020

ROCKLAND TOWNSHIP
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
Year Ended March 31, 2006

	Sewer	Water	Total (Memorandum Only)
OPERATING REVENUES:			
Charges for services	\$ 18,513	\$ 40,478	\$ 58,991
Other	1,453	1,115	2,568
TOTAL OPERATING REVENUES	19,966	41,593	61,559
EXPENSES:			
Salaries	2,668	6,896	9,564
Payroll taxes	219	524	743
Supplies, materials and other	713	3,436	4,149
Office supplies	265	456	721
Utilities	-	11,111	11,111
Repairs and maintenance	-	176	176
Professional services	223	692	915
Depreciation	28,281	27,564	55,845
Miscellaneous	-	1,485	1,485
TOTAL EXPENSES	32,369	52,340	84,709
OPERATING INCOME (LOSS)	(12,403)	(10,747)	(23,150)
NON-OPERATING REVENUES (EXPENSES):			
Interest income	3,555	2,043	5,598
Interest expense	(9,200)	(18,855)	(28,055)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(5,645)	(16,812)	(22,457)
NET INCOME (LOSS)	(18,048)	(27,559)	(45,607)
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR	55,315	105,100	160,415
ADJUSTMENTS TO FUND EQUITY:			
Depreciation on contributed capital	23,920	13,323	37,243
RETAINED EARNINGS, END OF YEAR	\$ 61,187	\$ 90,864	\$ 152,051

ROCKLAND TOWNSHIP
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended March 31, 2006

	Sewer	Water	Totals (Memorandum Only)
RECONCILIATION OF OPERATING INCOME TO			
NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (12,403)	\$ (10,747)	\$ (23,150)
Adjustments to Reconcile Operating Income to Net Cash			
Provided by Operating Activities			
Depreciation	28,281	27,564	55,845
(Increase) Decrease in accounts receivable	765	(2,060)	(1,295)
Increase (Decrease) in accounts payable	8,291	4,780	13,071
Increase (Decrease) in accrued expenses	80	315	395
NET CASH PROVIDED BY OPERATING ACTIVITIES	25,014	19,852	44,866
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Reductions of long-term debt	(6,000)	(4,000)	(10,000)
Interest paid	(9,200)	(18,855)	(28,055)
Purchase of fixed assets	0	(29,743)	(29,743)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(15,200)	(52,598)	(67,798)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments and deposits	3,555	2,043	5,598
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,555	2,043	5,598
NET DECREASE IN CASH AND RESTRICTED CASH	13,369	(30,703)	(17,334)
CASH AND RESTRICTED CASH, MARCH 31, 2005	108,631	91,579	200,210
CASH AND RESTRICTED CASH, MARCH 31, 2006	\$ 122,000	\$ 60,876	\$ 182,876

ROCKLAND TOWNSHIP
FIDUCIARY FUND TYPES
(TAX COLLECTION FUND)
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
March 31, 2006

	<u>Balance 3/31/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/06</u>
ASSETS:				
Cash	\$ 0	\$ 773,526	\$ 768,033	\$ 5,493
TOTAL ASSETS	<u>\$ 0</u>	<u>\$ 773,526</u>	<u>\$ 768,033</u>	<u>\$ 5,493</u>
LIABILITIES:				
Due to other funds	\$ 0	\$ 83,131	\$ 83,131	\$ 0
Due to other governmental units	<u>0</u>	<u>690,395</u>	<u>684,902</u>	<u>5,493</u>
TOTAL LIABILITIES	<u>\$ 0</u>	<u>\$ 773,526</u>	<u>\$ 768,033</u>	<u>\$ 5,493</u>



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LETTER OF COMMENTS AND RECOMMENDATIONS

Honorable Supervisor and Board of Trustees
Rockland Township
Rockland, Michigan

We have audited the general purpose financial statements of Rockland Township, for the year ended March 31, 2006, and have issued our report thereon dated June 12, 2006. As part of our audit, we made a study and evaluation of the Township's internal control structure only to the extent we considered necessary as required by generally accepted auditing standards.

Under generally accepted auditing standards, the purpose of an evaluation of the internal control structure is to establish a basis for reliance on the system in determining the nature, timing and extent of other auditing procedures and to assist in planning and performing the audit. Our audit would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

The following suggestions are submitted to assist in improving procedures and controls.

Insured Deposits

We noted approximately sixty-nine (69%) of the Township's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). We recommend that deposits be extended to various financial institutions to decrease the risk of loss to the Township.

Budget Over Expenditures

Comparing actual to budgeted expenditures shows that over expenditures have occurred. P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. Over expenditures occurred in the General and Activity Funds:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variances</u>
General Fund			
Board of Review	\$300	\$311	(\$11)
Township Board	\$11,000	\$11,545	(\$545)
Town Hall	\$15,100	\$41,825	(\$26,725)
Property	\$25,000	\$29,466	(\$4,466)
Fire Protection	\$7,500	\$10,587	(\$3,087)
Activity Center	\$6,000	\$7,612	(\$1,612)
Activity Fund	\$0	\$7,844	(\$7,844)

We recommend that timely revisions be made to the budget appropriations so that these over expenditures do not occur in the future.

Bond Reserve Requirements

At March 31, 2006 there was a shortage of funds deposited to meet the bond requirement funds as outline in Note F. The Township needs to deposit additional funds and review the schedules and deposit/transfer funds on a quarterly basis to meet the requirements.

GASB 34

Although the Local Audit and Finance Division of the Michigan Department of Treasury has allowed a reporting exception to the implementation of Governmental Accounting Standards Board Statement No. 34 (GASB 34) for various Michigan local cities and municipalities, we recommend the Township adopt the major changes from GASB 34 to comply with GAAP. This requires the Township to issue government-wide financial statements based on full accrual accounting. This change will also require the Township to place a value on all capital assets, calculate depreciation, record offsetting long-term debt, and report information regarding the net value of assets on the government-wide financial statements.

We would like to thank the staff for the excellent cooperation we received during our audit. We appreciate the opportunity to present the above suggestions and are prepared to discuss them at your convenience.

Bruce A. Rukkala, CPA, PC.

Certified Public Accountants

June 12, 2006